



**EXAMINATION REPORT
OF
Devoted Health Plan of Florida, Inc.**

NAIC Company Code: 16358

**Miramar, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 21, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 641.27, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("the NAIC"), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

Devoted Health Plan of Florida, Inc.
2801 SW 149th Ave, Suite 100
Miramar, Florida 33027

hereinafter referred to as "the Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of October 12, 2017 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on September 18, 2020. The fieldwork concluded as of May 21, 2021. This was the first financial condition examination of the Company by the Office.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles (“SSAP”). The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319 and 641.27, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings as a result of this examination.

Previous Examination Findings

This is the first financial condition examination of the Company.

COMPANY HISTORY

General

The Company was incorporated in Florida on October 12, 2017 and commenced business on January 1, 2019. The Company was licensed by the Office as a Health Maintenance Organization (“HMO”) on March 15, 2018. It was authorized by the State of Florida to operate as an HMO in accordance with Part 1 of Chapter 641, Florida Statutes.

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company’s capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	7,200,000
Total common capital stock	\$7,200,000
Par value per share	\$1.00

The Company received capital contributions in the amount of \$5,132,507 and \$2,000,000 in 2018 and 2019, respectively. The Company received paid in surplus in the amount of \$35,713,000 in 2019.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with the Company's Bylaws Section 2.1. Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Ed Park	Waltham, Massachusetts	Chief Executive Officer, Devoted Health Inc.
Todd Park	Waltham, Massachusetts	Executive Chairman, Devoted Health Inc.
Dariel Quintana	Miramar, Florida	President, Devoted Health Insurance Company
Jeremy Delinsky	Waltham, Massachusetts	Chief Operating Officer, Devoted Health Inc.
Adam Thackery	Waltham, Massachusetts	Chief Financial Officer, Devoted Health Inc.

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Dariel Quintana	Miramar, Florida	President
Jeremy Delinsky	Waltham, Massachusetts	Chief Operating Officer

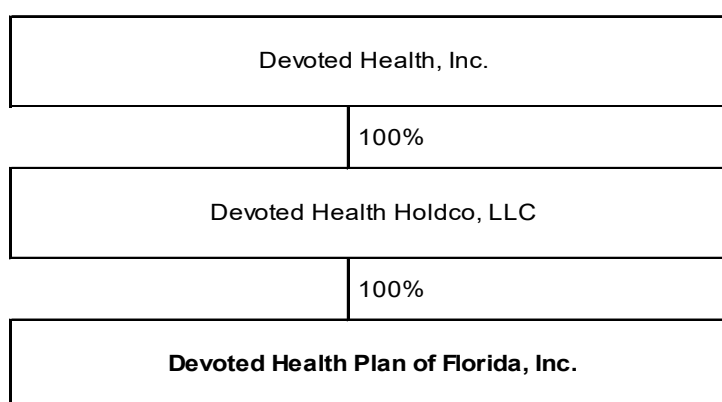
Adam Thackery	Waltham, Massachusetts	Chief Financial Officer and Treasurer
Neil Wagle	Waltham, Massachusetts	Chief Medical Director
Paul Jernigan	Houston, Texas	Secretary

Holding Company System

The Company was a member of an insurance holding company system. The Company is a wholly-owned subsidiary of Devoted Health Holdco, LLC, which is 100% owned by Devoted Health, Inc. Its latest Holding Company Registration Statement was filed with the State of Florida as required by Section 628.801, Florida Statutes and Rule 69O-143.046, Florida Administrative Code on April 23, 2020.

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown below. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

Devoted Health Plan of Florida, Inc. Simplified Organizational Chart December 31, 2019



The following agreements were in effect between the Company and its affiliates:

Tax Allocation Agreement

Effective October 12, 2017, the Company and its parent Devoted Health, Inc. entered into a Tax Sharing Agreement. Pursuant to the Agreement, the members of the Tax Sharing Agreement file a consolidated US federal income tax returns and state income tax returns.

Cost Allocation Agreement

Effective October 1, 2018, the Company entered into an Administrative Services agreement with Devoted Health, Inc., the Company's ultimate parent. Pursuant to the Agreement, Devoted Health, Inc. will provide services described in one or more Statements of Work entered into between the parties. Each Statement of Work will define the Services to be performed, the time for completion of performance, the personnel to be assigned to perform the Services, the responsibilities undertaken by each Party, and such other terms and conditions as the parties entering into such Statements of Work may agree. Fees incurred under this agreement were \$4,526,376.

Master Services Agreement

Effective February 14, 2019, the Company entered into a Master Services Agreement with Devoted Medical Group, PLLC whereas Devoted Medical Group, PLLC provides certain goods and/or services pursuant to a Statement of Work and Devoted Medical Group, PLLC is willing and able to supply such services on the terms and conditions contained within the Master Services Agreement. Fees incurred under this agreement were \$486,700.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Miramar, Florida with the Company's administrative office in Waltham, Massachusetts.

The Company and non-affiliates had the following material agreements:

Independent Auditor Agreement

An independent CPA, Deloitte & Touche, LLP audited the Company's statutory basis financial statements annually for the years 2018 and 2019, in accordance with Section 641.26(5), Florida Statutes. Supporting work papers were prepared by the CPA firm as required.

Corporate Records Review

The recorded minutes of the Shareholder(s) and Board of Directors (Board) were reviewed for the period under examination. The Company did not engage in transactions involving investment securities or loans that require Board authorization under Section 641.35(7), Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida on March 15, 2018, and is currently authorized to operate as a Health Maintenance Organization as of December 31, 2019.

On January 1, 2019, the Company began offering Medicare Advantage benefit plans in eight counties in Florida.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company entered into a stop loss reinsurance agreement with Atlantic Specialty Insurance Company covering the period January 1, 2019 to January 1, 2020. The Company pays a monthly premium for certain eligible expenses. When a member's claims for hospital and professional services exceed applicable retention of \$150,000, which is subject to claims valuation, the Company receives a credit, or recovery of 90% of the excess up to the contracted agreement, up to the maximum benefit for each covered member of \$5,000,000.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds and a statutory Statement of Revenue and Expenses for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019. (Note: Due to rounding, column amounts may not add to the totals reflected in this Report).

Devoted Health Plan of Florida, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ -		\$ -
Stocks			
Common			
Real Estate			
Properties Occupied by the Company			
Other Properties			
Cash, cash equivalents and short-term investments	39,656,240		39,656,240
Other invested assets			
Aggregate write-ins for invested assets			
Receivables for securities			
Subtotal cash and invested assets	\$39,656,240		\$39,656,240
Investment income due and accrued			
Premiums and considerations			
Uncollected premiums and agents' balances			
Deferred premiums and agents' balances			
Accrued retrospective premiums	107,001		107,001
Amounts recoverable from reinsurer	172,935		172,935
Amounts receivable relating to uninsured plans	40,968		40,968
Current federal and foreign income taxes recoverable			
Net deferred tax asset			
Electronic data processing equipment and software			
Receivables from parent, subsidiaries and affiliates			
Health care and other amounts receivable	1,724,714		1,724,714
Aggregate write-ins for other than invested assets			
Totals	\$41,701,858		\$41,701,858

Devoted Health Plan of Florida, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$5,259,846		\$5,259,846
Accrued medical incentive pool and bonus amounts	316,137		316,137
Unpaid claims adjustment expenses	107,744		107,744
Aggregate health claim reserves	14,735,720		14,735,720
Premiums received in advance	932		932
General expenses due or accrued	176,269		176,269
Current federal and foreign income tax payable			
Ceded reinsurance premiums payable			
Amounts withheld or retained for the account of others	133,754		133,754
Amounts due to parent, subsidiaries and affiliates	5,132,369		5,132,369
Liability for amounts held under uninsured plans	1,953,774		1,953,774
Aggregate write-ins for other liabilities			
Total liabilities	\$27,816,545		\$27,816,545
Aggregate write-ins for special surplus funds	186,715		186,715
Common capital stock	7,200,000		7,200,000
Gross paid-in and contributed surplus	35,713,000		35,713,000
Surplus notes			
Unassigned funds (surplus)	(29,214,402)		(29,214,402)
Total capital and surplus	\$13,885,313		\$13,885,313
Total liabilities, capital and surplus	\$41,701,858		\$41,701,858

Devoted Health Plan of Florida, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$45,215,323		\$45,215,353
Change in unearned premium reserves and reserve for rate credits			
Aggregate write-ins for other health care related revenues			
Total revenues	\$45,215,353		\$45,215,353
Hospital and Medical:			
Hospital/medical benefits	43,366,782		43,366,782
Other professional services	1,232,823		1,232,823
Emergency room and out-of-area			
Prescription drugs	5,593,968		5,593,968
Aggregate write-ins for other hospital and medical			
Incentive pool, withhold adjustments and bonus amounts	1,147,434		1,147,434
Subtotal	\$51,341,007		\$51,341,007
Less:			
Net reinsurance recoveries	496,686		496,686
Total hospital and medical	\$50,844,321		\$50,844,321
Claims adjustment expenses	107,744		107,744
General administrative expenses	5,216,713		5,216,713
Increase in reserves for life and accident and health contracts	13,689,018		13,689,018
Total underwriting deductions	\$69,857,796		\$69,857,796
Net underwriting gain or (loss)	(\$24,642,443)		(\$24,642,443)
Net investment income earned	263,962		263,962
Net realized capital gains (losses) less capital gains tax			
Net investment gains ((losses)	\$263,962		\$263,962
Aggregate write-ins for other income or expenses			
Net income or (loss) after capital gains tax and before all other federal income taxes	(\$24,378,481)		(\$24,378,481)
Federal and foreign income taxes incurred			
Net Income	(\$24,378,481)		(\$24,378,481)

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$4,147,546		\$4,147,546
Net Income	(\$24,378,481)		(\$24,378,481)
Change in net unrealized capital gains (losses) less capital gains tax			
Change in net deferred income taxes			
Change in nonadmitted assets	(\$3,597,541)		(\$3,597,541)
Change in surplus notes			
Capital Changes:			
Paid in	2,000,000		2,000,000
Transferred to surplus			
Surplus adjustments:			
Paid in	35,713,000		35,713,000
Transferred from capital			
Dividends to stockholders			
Aggregate write-ins for gains or(losses) in surplus	789		789
Net change in capital and surplus	\$9,737,767		\$9,737,767
Capital and surplus end of reporting year	\$13,885,313		\$13,885,313

**Devoted Health Plan of Florida, Inc.
Reconciliation of Capital and Surplus
December 31, 2019**

No adjustments were made to surplus as regards policyholders as a result of this examination.

Capital/Surplus Change during Examination Period			
Capital and Surplus at March 15, 2018, per Examination			\$0
	Increase	Decrease	
Net Income		(\$25,363,442)	(\$25,363,442)
Change in non-admitted assets		(\$3,597,541)	(\$3,597,541)
Capital paid in	\$7,132,507		\$7,132,507
Surplus paid in	\$35,713,000		\$35,713,000
Aggregate write-ins for gains (losses) in surplus	\$789		\$789
Net increase (or decrease)			\$0
Capital and Surplus at December 31, 2019 per Examination			\$13,885,313

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Dan Quinn FSA, MAAA, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Karen Elsom, FSA, MAAA of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and she was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$13,885,313, exceeded the minimum of \$2,781,655 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

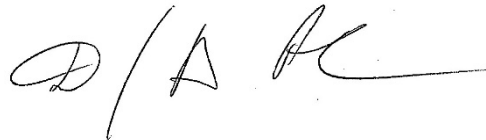
The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Florida Office of Insurance Regulation has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

CONCLUSION


The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Devoted Health Plan of Florida, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Ryne Davison, CFE, and Neeraj Gupta, CFE Participating Examiners, of Lewis & Ellis, Inc., also participated in the examination. Members of the Office who participated in the examination include Shantia Simmons, APIR, Examination Manager. Additionally, Joanna Latham, CFE, CPA, AES, CISA, CRISC, IT Specialist of Jennan Enterprises, LLC, are recognized for participation in the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D/A PC', with a stylized flourish at the end.

David Palmer, CFE
Examiner-in-Charge
Lewis & Ellis, Inc.

A handwritten signature in black ink, appearing to read 'Margaret M. McCrary', with a stylized flourish at the end.

Margaret M. McCrary, CFE, CPA, MBA
Chief Financial Examiner
Life & Health Financial Oversight
Florida Office of Insurance Regulation

A handwritten signature in blue ink, appearing to read 'Carolyn M. Morgan', with a stylized flourish at the end.

Carolyn M. Morgan, APIR
Director
Life & Health Financial Oversight
Florida Office of Insurance Regulation